

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Jackson County Road Commission	County Jackson
Fiscal Year End 12/31/2005	Opinion Date 05/09/2006	Date Audit Report Submitted to State 05/26/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  4. ☒ ☐ The local unit has adopted a budget for all required funds.
  5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  11. ☒ ☐ The local unit is free of repeated comments from previous years.
  12. ☒ ☐ The audit opinion is UNQUALIFIED.
  13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Markowski & Company CPAs		Telephone Number (517) 782-9351	
Street Address 2880 Spring Arbor Rd.		City Jackson	State MI
Zip 49203			
Authorizing CPA Signature <i>Douglas E. Atkins, CPA</i>		Printed Name Douglas E. Atkins, CPA	
		License Number 1101016353	

**JACKSON COUNTY ROAD COMMISSION**  
(A COMPONENT UNIT OF JACKSON COUNTY, MICHIGAN)  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2005

# JACKSON COUNTY ROAD COMMISSION

## ANNUAL FINANCIAL REPORT

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# MARKOWSKI & COMPANY

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CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF  
SOUTH CENTRAL MICHIGAN

### INDEPENDENT AUDITOR'S REPORT

To the Board of Road Commissioners  
Of Jackson County  
Jackson, Michigan

We have audited the accompanying basic financial statements of the **JACKSON COUNTY ROAD COMMISSION** (a component unit of Jackson County, Michigan) as of and for the year ended December 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Jackson County Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

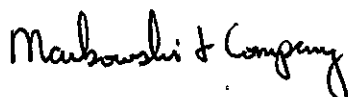
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Jackson County Road Commission as of December 31, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information presented on pages 3-7 and 29-30 respectively are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Jackson County Road Commission taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Jackson County Road Commission. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2006 on our consideration of the Jackson County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



MARKOWSKI & COMPANY, CPAs  
May 9, 2006

# JACKSON COUNTY ROAD COMMISSION

## Management's Discussion and Analysis

Year Ended December 31, 2005

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### Using this Annual Report

The Jackson County Road Commission's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the commission's financial activity, (c) identify changes in the commission's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the approved budget and (e) identify any issues or concerns.

### Reporting the Road Commission as a Whole

The statement of net assets and the statement of activities report information about the commission as a whole and about its activities in a way that helps answer the question of whether the commission as a whole is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the commission's net assets and changes in them. The reader can think of the commission's net assets (the difference between assets and liabilities) as one way to measure the commission's financial health or financial position. Over time, increases or decreases in the commission's net assets are one indicator of whether its financial health is improving or deteriorating.

### Reporting the Commission's Major Fund

Our analysis of the commission's major fund begins on page four. The fund financial statements begin on page eight and provide detailed information about the major fund. The commission currently has only one fund, the general operations fund, in which all of the commission's activities are accounted. The general operations fund is a governmental fund type.

- Governmental fund – Governmental fund focus on how money flows into and out of this fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the commission's services. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

# JACKSON COUNTY ROAD COMMISSION

## Management's Discussion and Analysis

Year Ended December 31, 2005

### The Road Commission as a Whole

Net assets may, over time, enable governmental agencies to determine their overall fiscal position. As shown in the condensed statement of net assets below, the Road Commission's assets exceed liabilities by \$72,742,846.

The commission's net assets increased approximately 1.2% from \$71,855,127 to \$72,742,846 for the year ended December 31, 2005.

Net assets as of the years ending December 31, 2004 and December 31, 2005 follows:

#### Condensed Statement of Net Assets December 31, 2005 and 2004

	2005	2004
<b>Assets:</b>		
Current and other assets	\$ 6,792,969	\$ 7,668,932
Capital assets	67,312,451	65,516,691
Total assets	<u>\$ 74,105,420</u>	<u>\$ 73,185,623</u>
<b>Liabilities:</b>		
Long-term liabilities outstanding	\$ 285,511	\$ 271,433
Other liabilities	1,077,063	1,059,063
Total liabilities	<u>1,362,574</u>	<u>1,330,496</u>
<b>Net Assets:</b>		
Invested in capital assets	67,340,658	65,516,691
Invested in inventory	1,623,122	1,645,378
Unrestricted	3,779,066	4,693,058
Total net assets	<u>72,742,846</u>	<u>71,855,127</u>
Total liabilities and net assets	<u>\$ 74,105,420</u>	<u>\$ 73,185,623</u>

# JACKSON COUNTY ROAD COMMISSION

## Management's Discussion and Analysis

Year Ended December 31, 2005

### Condensed Statement of Activities

#### Condensed Statement of Activities

Years Ended December 31, 2005 and 2004

	2005	2004
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 2,588,733	\$ 2,274,319
Federal grants	1,860,476	2,000,492
State grants	11,345,820	13,191,677
Intergovernmental revenues	1,084,401	852,683
Generated revenues:		
Interest income	124,679	86,651
Property rentals	29,374	30,248
Gain on asset disposal	192,699	257,802
Other general revenues	101,636	186,316
Total revenues	<u>17,327,818</u>	<u>18,880,188</u>
<b>Program expenses:</b>		
Primary roads:		
Maintenance	\$ 3,912,217	\$ 3,947,605
Local roads:		
Preservation	238,400	32,965
Maintenance	5,156,358	4,222,293
State trunkline:		
Maintenance	2,417,697	2,183,960
Non-maintenance	61,567	97,225
Equipment expense (net)	442,379	93,698
Administrative expense (net)	617,677	590,935
Depreciation	3,593,804	3,463,325
Total expenses	<u>16,440,099</u>	<u>14,632,006</u>
Change in net assets	<u>\$ 887,719</u>	<u>\$ 4,248,182</u>



# JACKSON COUNTY ROAD COMMISSION

## Management's Discussion and Analysis

Year Ended December 31, 2005

### The Road Commission's Fund

The Road commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

For the year ended December 31, 2005 the fund balance of the general operations fund decreased \$921,548 as compared to an increase of \$1,611,569 in the fund balance for the year ended December 31, 2004.

### Budgetary Highlights

Prior to the beginning of any year, the commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the road commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year. The revenue and expenditure budgets were as expected for 2005. Throughout the year the board planned to utilize some of the increase in the 2004 fund balance for equipment purchases.

### Capital Asset and Debt Administration

#### Capital Assets

As of December 31, 2005 and 2004 the commission had \$65,200,439 and \$65,501,627 respectively, invested in capital assets as follows:

	2005	2004
Capital assets not being depreciated:		
Land and improvements	\$ 923,080	\$ 923,080
Infrastructure land and improvements	15,258,182	15,147,794
Total capital assets not being depreciated	<u>16,181,262</u>	<u>16,070,874</u>
Other capital assets:		
Buildings and improvements	5,971,372	5,739,844
Road equipment	12,854,903	11,689,336
Other equipment/assets	2,134,199	2,093,064
Infrastructure	75,418,499	73,016,161
Total other capital assets	<u>96,378,973</u>	<u>92,538,405</u>
Less - Accumulated depreciation	<u>(45,247,784)</u>	<u>(43,092,588)</u>
Net other capital assets	<u>51,131,189</u>	<u>49,445,817</u>
Total capital assets (net)	<u>\$ 67,312,451</u>	<u>\$ 65,516,691</u>

# JACKSON COUNTY ROAD COMMISSION

## Management's Discussion and Analysis

Year Ended December 31, 2005

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Current year's major additions included the following:

Reconstruction of Bridges:

Bath Mills Road Bridge	\$	329,788
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Road Reconstruction:

Lansing Ave. - Parnall to Morrill	\$	1,164,712
E. Michigan Ave. - Village of Grass Lake to Maute Rd.	\$	1,195,128
Territorial Rd./Cooper Rd. intersection	\$	220,326
E. Michigan Ave. - Maute Rd. to the east County Line	\$	174,826
Lansing Ave. - Van Horn to Henry	\$	162,305

Heavy Equipment	\$	1,398,744
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### ***Debt***

The road commission currently experiences a relatively debt free status. The road commission currently has long-term debt in the amount of \$285,511 which represents compensated absences payable.

### **Economic Factors and Next Year's Budget**

The Board of County Road Commissioners considered many factors when setting the fiscal year 2006 budget. One of the factors is the economy. The commission derives approximately 64% of its revenues from the fuel tax collected. The recent economic downturn and increased fuel prices has resulted in less consumption of fuel and consequently less Michigan Transportation Funds to be distributed. Also, the increased in fuel price results in increased expense for the Road Commission to operate equipment and trucks for road maintenance. The outlook is not optimistic to maintain the current service level as revenues stay static or decrease, and expenses increase.

The Board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in Jackson County's transportation system; therefore, the board attempts to spend the public's money wisely and equitably and in the best interest of the motoring public and the citizens of Jackson County.

### **Contacting the Commission's Financial Management**

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the commission's finances and to show the commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Jackson County Road Commission administrative offices at 2400 North Elm Road, Jackson, MI. 49201.

JACKSON COUNTY ROAD COMMISSION

BASIC FINANCIAL STATEMENTS:

GOVERNMENT WIDE/FUND FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

**JACKSON COUNTY ROAD COMMISSION**  
**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

<b>Assets</b>	<b>Governmental Funds</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
Cash and cash equivalents	\$ 1,122,612	\$ -	\$ 1,122,612
Receivables	2,618,550	-	2,618,550
Inventory	1,623,122	-	1,623,122
Capital assets - Net:			
Assets not being depreciated	-	16,181,262	16,181,262
Assets being depreciated (Net)	-	51,131,189	51,131,189
Receivables - Noncurrent	648,213	-	648,213
Deposits with Jackson County	780,472	-	780,472
<b>Total Assets</b>	<b>\$ 6,792,969</b>	<b>\$ 67,312,451</b>	<b>\$ 74,105,420</b>

**Liabilities and Fund Balances/Net Assets**

**Liabilities**

Accounts payable	176,094	-	176,094
Accrued liabilities	95,963	-	95,963
Accrued payroll	90,200	-	90,200
Performance bonds payable	51,190	-	51,190
Advances	663,616	-	663,616
Deferred revenue	708,093	(708,093)	-
<b>Total current liabilities</b>	<b>1,785,156</b>	<b>(708,093)</b>	<b>1,077,063</b>
Long-term liabilities	-	285,511	285,511
<b>Total liabilities</b>	<b>1,785,156</b>	<b>(422,582)</b>	<b>1,362,574</b>

**Fund Balances:**

Reserved for inventories	1,623,122
Unreserved and undesignated	3,384,691
<b>Total fund balances</b>	<b>5,007,813</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,792,969</b>

**Net Assets:**

Invested in capital assets	67,340,658
Invested in inventory	1,623,122
Unrestricted	3,779,066
<b>Total net assets</b>	<b>\$ 72,742,846</b>

The notes to the financial statements are an integral part of this statement.

**JACKSON COUNTY ROAD COMMISSION**  
**STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**  
**THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Funds	Adjustments	Statement of Activities
<b>Revenues:</b>			
Permits	\$ 65,892	\$ -	\$ 65,892
Federal grants	1,860,476	-	1,860,476
State sources	11,345,820	-	11,345,820
Local government sources	1,056,816	27,585	1,084,401
Charges for services	2,468,918	-	2,468,918
Interest and rentals	154,053	-	154,053
Special assessments	53,923	-	53,923
Gain on asset disposals	100,945	91,754	192,699
Other revenues	101,636	-	101,636
Total revenues	<u>17,208,479</u>	<u>119,339</u>	<u>17,327,818</u>
<b>Expenditures/Expenses:</b>			
Primary roads - Construction/Preservation	3,557,877	(3,557,877)	-
Local roads - Construction/Preservation	1,605,092	(1,366,692)	238,400
Primary roads - Maintenance	3,912,217	-	3,912,217
Local roads - Maintenance	5,156,358	-	5,156,358
State trunkline maintenance	2,479,264	-	2,479,264
Administrative - Net	603,599	14,078	617,677
Equipment expense - Net	442,379	-	442,379
Depreciation expense - Unallocated	-	3,593,804	3,593,804
Capital outlay - Net	373,241	(373,241)	-
Total expenditures/expenses	<u>18,130,027</u>	<u>(1,689,928)</u>	<u>16,440,099</u>
<b>Excess of Revenues Over (Under)</b>			
Expenditures/Change in Net Assets	(921,548)	1,809,267	887,719
<b>Fund Balance/Net Assets - Beginning</b>	<u>5,929,361</u>	<u>65,925,766</u>	<u>71,855,127</u>
<b>Fund Balance/Net Assets - Ending</b>	<u>\$ 5,007,813</u>	<u>\$ 67,735,033</u>	<u>\$ 72,742,846</u>

The notes to the financial statements are an integral part of this statement.

# JACKSON COUNTY ROAD COMMISSION

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# JACKSON COUNTY ROAD COMMISSION

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# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. Reporting Entity:

The Jackson County Road Commission is a Component Unit of the County of Jackson. The Road Commission is administered by a full time Board comprised of three Commissioners, appointed to staggered six year terms by the Jackson County Board of Commissioners. The Road Commission accounts for the Michigan Transportation Fund revenues distributed to Jackson County, and all other revenues provided for the construction and maintenance of primary and local roads within Jackson County (exclusive of those located within Cities and Villages). As of December 31, 2005, there were approximately 1,936 miles of roads maintained by the Jackson County Road Commission – 652 miles of paved primary roads, and 978 miles of paved and 312 miles of gravel local roads.

The financial statements of the Road Commission have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless they conflict with or contradict GASB pronouncements, in which case the GASB pronouncements prevail. The more significant of the Road Commission's accounting policies are described below.

Effective January 1, 2002 the Road Commission implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Some of the significant changes in the Road Commission's financial reporting as a result of this statement include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Road Commission's overall financial position and results of operations is included with the financial statements.

- Government-wide financial statements prepared using the full accrual accounting for all of the Road Commission's activities, including infrastructure (roads, bridges, etc.).

- A change in the fund financial statements to focus on the major fund.

#### B. Basic Financial Statements – Government-Wide and Governmental Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Road Commission. The Road Commission consists solely of governmental-type activities; it has no business-type activities.



# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES: (Continued)

#### B. Basic Financial Statements – Government-Wide and Governmental Fund Financial Statements: (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to users or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other income not properly included among program revenues are reported instead as general revenue.

The fund financial statements are provided for governmental funds, and have been separately stated in conjunction with the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statement.

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Road Commission uses funds and account groups to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and a modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Road Commission considers revenues to be available if they are collected within 60 days of the fiscal year end.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Noncurrent receivables, such as special assessments and township agreements, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year end.

Interest earned on investments is recorded on the accrual basis. Interest charged on special assessment installments is not accrued until its due date.

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES: (Continued)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The Road Commission reports the following major fund:

##### **Special Revenue Fund:**

**Road Fund** – This fund is used to account for Michigan Transportation Fund monies and other monies which are earmarked for street and highway activities.

#### D. Budgetary Procedures

Budgetary procedures are established pursuant to Michigan Act 621 PA 1978, as amended, (MCL 141.421). This act requires the commissioners to approve a budget for the general operating fund. Pursuant to the Act, the Road Commission has adopted the following procedures:

The Road Commission's Chief Administrative Officer (the secretary – clerk) prepares and submits a proposed Operating Fund budget to the Board of Road Commissioners for its review and consideration. The budget is prepared at the category level (Primary Construction/Heavy Maintenance, Primary Routine Maintenance, etc.). The Board of Road Commissioners conducts public budget hearings and subsequently adopts a budget. This budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The budget as presented has been amended during the year by official action of the board, taken at a public meeting. All budget appropriations lapse at year end.

The Operating Fund budget of the Jackson County Road Commission includes an amount appropriated for an item called the Distributive Expense. The Distributive Expense consists of indirect costs related to construction projects (such as supervisory labor and fringes, etc.). For financial statement purposes, the Distributive Expense has been proportionately allocated to the other expense line items. As a result of this, comparison of budgeted to actual expense by line item can be misleading. This method does comply with the Michigan Department of Transportation guidelines.

#### E. Cash, Cash Equivalents, and Investments

All investments of the Road Commission are reported at cost. It is the policy of the Road Commission that all investments with an original maturity of 90 days or less are accounted for as cash equivalents. The Road Commission's investments are made through the Jackson County Treasurer, thus providing for increased interest rates and revenue.

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### F. Inventories

Inventories are valued at cost as determined on the first-in, first-out method using average costs. Inventory items are charged to road construction, equipment maintenance, repairs, and operations as they are used.

#### G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges and similar items) are reported in the general operating fund in the government-wide financial statements. The Road Commission considers assets with an initial individual cost of \$500 or more and an estimated useful life in excess of one year to be a capital asset. Capital assets are recorded at their historical cost (or, in the case of infrastructure assets, at estimated historical cost). Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred.

Depreciation is computed on the sum-of-the-years-digits method for road equipment, and the straight-line method for all other assets. Estimated useful lives are used as follows:

	<u>Years</u>
Buildings and Improvements	10-40
Road Equipment	5-8
Other Equipment	3-10
Gravel Pits	Actual usage
Infrastructure	8-50

GASB Statement No. 34 requires the Road Commission to report and depreciate new infrastructure assets effective with the beginning of the year. The Road Commission also elected to retroactively report existing infrastructure assets in the current year. Historically, the cost of infrastructure construction and heavy maintenance has been reported as an expense in the financial statements. Depreciation has not been reported on these assets. The cost of infrastructure retroactively capitalized was developed using the historical records for construction and heavy maintenance costs incurred, as heavy maintenance extends the useful life of the infrastructure. When an infrastructure asset is fully depreciated, both the cost and accumulated depreciation are removed from the fixed asset records.

#### H. Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

Amounts reported in the government-wide financial statements are different from amounts reported in the governmental funds because of the following:

<b>Governmental funds fund balance</b>	\$ 5,007,813
Capital assets used in governmental activities; these are not financial resources and are not reported in the funds	67,312,450
Special assessment and township receivables which are not collected within 60 days of year end are not available to pay current year expenditures. In the fund financial statements, a deferred revenue is established.	708,093
Compensated absences are not payable from current resources; a liability is not recognized in the fund financial statements.	<u>(285,511)</u>
<b>Government-wide net assets</b>	<u><u>\$ 72,742,845</u></u>
<b>Net changes in fund balances - Total governmental funds</b>	\$ (921,548)
Capital asset acquisitions are reported as expenditures in the governmental fund financial statements; in the statement of activities, these costs are expensed over the useful life of the asset through depreciation. (The remaining heavy maintenance expense represents the cost of projects performed for others).	6,683,658
Depreciation	(4,915,018)
Proceeds from the sale of capital assets are reported as revenue in the governmental fund financial statements; only the net gain (loss) on the disposal of capital assets is reported in the statement of activities.	27,119
Special assessment and township road agreement billings are reported as revenue in the period billed in the statement of activities; they are not reported as revenue in the governmental fund financial statements until collected or collectable within 60 days of year end.	27,585
Accumulated sick and vacation pay is reported as an expense in the statement of activities when earned by employees; the governmental fund financial statements report the expenditure when paid to the employee.	<u>(14,078)</u>
<b>Change in net assets of governmental activities</b>	<u><u>\$ 887,718</u></u>

## JACKSON COUNTY ROAD COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Michigan Public Act 621 of 1978, as amended, requires budgets amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. For the year ended December 31, 2005, the Road Commission's expenditures for capital outlay exceeded its final amended budget by \$4 (\$373,237 budgeted to \$373,241 actual).

#### NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS:

State statutes and Road Commission policy authorize the County Treasurer, on behalf of the Jackson County Road Commission, to deposit and invest in the following types of accounts:

(1) Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States; (2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution (but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States; (3) Commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services. And that matures not more than 270 days from the purchase date; (4) Repurchase agreements consisting of instruments listed in subdivision (1) above; (5) Bankers' acceptances of United States banks; (6) Mutual funds registered under the Investment Company Act of 1940, that maintain a \$1.00 per share net asset value, and with authority to purchase only investment vehicles that are legal for direct investment by a public corporation; (7) Obligations described in (1) through (6) as named above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967; (8) Investment pools organized under the Surplus Funds Investment Act, 367 of 1982; (9) Investment pools organized under the Local Government Investment Pool Act, 121 of 1985.

(The above statute references refer to Michigan Public Acts).

The Road Commission's deposits are in accordance with statutory authority and Road Commission policy.

#### **Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Road Commission minimizes this risk by investing in shorter term securities and holding them to maturity.

#### **Concentration of Credit Risk**

The Road Commission's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law. The cash accounts are held at one local financial institution. \$100,000 of the cash is covered by FDIC insurance; the remaining \$1,022,362 is uninsured.

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS: (Continued)

#### **Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.

The risk disclosure for the Road Commission's cash and cash equivalents is as follows:

	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Cash on Hand	\$ 250	\$ -
Insured (FDIC)	100,000	100,000
Uninsured	<u>1,022,362</u>	<u>1,462,243</u>
	<u>\$ 1,122,612</u>	<u>\$ 1,562,243</u>

The Road Commission did not violate any of the provisions of its investment policies or state laws during the year ended December 31, 2005.

The cash at December 31, 2005 includes monies from performance bonds deposited by contractors with the County Treasurer in the County's Trust and Agency bank account. An offsetting liability has been established for the performance bonds payable. The balance payable, upon completion of projects with no damage to County roads, at December 31, 2005 was \$51,190.

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5 – RECEIVABLES/DEFERRED REVENUE:

#### A. Current Receivables:

Receivables at December 31, 2005 consist of accounts receivable from the ordinary course of operations, MTF funds for November and December due from the State, trunkline maintenance contract reimbursements and advances due from the State, current year special assessment collections due from the Jackson County Treasurer (due in May 2006), and payments due under Township road agreements.

Accounts receivable		\$	117,899
Special assessments receivable - current			58,962
Due from other governments:			
MTF collections	\$	1,758,223	
State trunkline maintenance		406,381	
State maintenance - Other		1,741	
Township road agreements - Current		275,344	2,441,689
			<u>\$ 2,618,550</u>

The noncurrent receivables reported on the statement of net assets consist of special assessment and township road agreement payments not due within the next fiscal year.

#### B. Special Assessments:

In accordance with state statute, the Road Commission will pave local streets within subdivisions or residential areas following a process which is initiated by the request of at least 51% of benefiting property owners. It is the Road Commission's policy to spread the resident's payments out over a five year period by levying a special assessment on each winter tax bill. The winter tax bills are sent to property owners in December, and are due without penalty by February 14 of the following year. Interest is charged on installments after the first one, and prepayment is allowed. The Jackson County Treasurer collects the assessments and distributes the collections to the Road Commission each May.

Because the revenue is not available to the Road Commission within sixty days of year end, a deferred revenue liability account is established in the governmental fund financial statements to offset the receivable.

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5 – RECEIVABLES/DEFERRED REVENUE: (Continued)

#### C. Township Road Agreements:

The Road Commission also paves certain local roads under a cost sharing agreement with the local townships. One half of the estimated project cost will be reimbursed by the township over a five year period. Installments are billed each December, and are payable upon receipt. The first three installments are interest free, each installment after that includes an interest charge. Prepayment is allowed. Because the installments billed in December 2005 will be collected within sixty days of year end, it is recognized as revenue in the governmental fund financial statements during 2005. A deferred revenue liability is established in the governmental fund financial statements for the remaining installments.

Installment billed/ levied in December	Noncurrent Receivable			Deferred Revenue
	Special Assessments	Twsp. Road Agreements	Total	
2005	\$ -	\$ -	\$ -	\$ 59,880
2006	39,940	356,493	396,433	396,433
2007	26,246	145,300	171,546	171,546
2008	19,137	41,961	61,098	61,098
2009	19,136	-	19,136	19,136
	<u>\$ 104,459</u>	<u>\$ 543,754</u>	<u>\$ 648,213</u>	<u>\$ 708,093</u>

The deferred revenue from the installment billed/levied in December 2005 consists of \$49,961 of special assessments levied that will not be received by the Road Commission until May 2006.

### NOTE 6 – INVENTORIES:

The inventory at December 31, 2005 consisted of the following:

	Amount
Equipment materials and parts	\$ 354,444
Road materials	1,268,678
	<u>\$ 1,623,122</u>



# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 7 – CAPITAL ASSETS:

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land and land improvements	\$ 923,080	\$ -	\$ -	\$ 923,080
Infrastructure land and land improvements	15,147,794	110,388	-	15,258,182
Subtotal	16,070,874	110,388	-	16,181,262
Capital assets being depreciated:				
Buildings and improvements	5,739,844	231,528	-	5,971,372
Road Equipment	11,689,336	1,537,338	(371,771)	12,854,903
Other equipment	1,544,990	128,819	(87,684)	1,586,125
Gravel pits	548,074	-	-	548,074
Infrastructure	73,016,161	4,814,180	(2,411,842)	75,418,499
Subtotal	92,538,405	6,711,865	(2,871,297)	96,378,973
Less - accumulated depreciation for:				
Buildings and improvements	(3,722,319)	(218,147)	-	(3,940,466)
Road Equipment	(9,122,307)	(992,522)	259,586	(9,855,243)
Other equipment	(1,239,031)	(119,846)	88,394	(1,270,483)
Gravel pits	(147,017)	-	-	(147,017)
Infrastructure	(28,861,914)	(3,584,503)	2,411,842	(30,034,575)
Subtotal	(43,092,588)	(4,915,018)	2,759,822	(45,247,784)
Net capital assets being depreciated	49,445,817	1,796,847	(111,475)	51,131,189
Net capital assets	\$ 65,516,691	\$ 1,907,235	\$ (111,475)	\$ 67,312,451

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 8 – DEPOSITS WITH JACKSON COUNTY:

#### A. Retiree Health Care Benefit Trust:

During 2004, the Road Commission deposited \$500,000 in a trust fund with Jackson County in an effort to begin funding its post-retirement health insurance obligation, under the authority of the Public Employee Health Care Fund Investment Act (Public Act 149 of 1999). An additional deposit of \$40,000 was accrued as of December 31, 2005. The Road Commission authorized the County Treasurer to invest these assets in accordance with the Public Employee Retirement Investment Act (Public Act 314 of 1965). The Road Commission is carrying the net asset held by the County in the trust fund as a deposit. Investment income, net of administrative expenses, has been recognized in the Road Commission's fund financial statements as interest revenue.

#### B. Self-Funded Managed Care Health Insurance Program:

The Road Commission participates with the County in a self-funded health insurance program. The Road Commission sends estimated premiums to the County fund (an internal service fund), which pays claims as presented (and accrues an allowance for claims incurred but not reported). The Road Commission recognizes the actual expenses in its financial statements, and the increase or decrease in its portion of the internal service fund as a change in the deposit with the County.

The deposits, and the current year changes in them, can be summarized as follows:

	Retiree Health Care Benefit Trust	Self-Funded Managed Care	Total
Deposit balance - Beginning of year	\$ 554,607	\$ 273,913	\$ 828,520
Contributions/premiums paid to County	40,000	1,470,889	1,510,889
Investment income (net of related expenses)	36,127	-	36,127
Expenses - Claims paid (net of reimbursements)	-	(1,595,064)	(1,595,064)
Current year change in deposits	76,127	(124,175)	(48,048)
Deposit balance - End of year	\$ 630,734	\$ 149,738	\$ 780,472

Additional information on both of these balances is available in the County of Jackson audit report.

### NOTE 9 – ACCRUED LIABILITIES:

The accrued liability at December 31, 2005 recognizes the amount of trunkline maintenance funds from 2002 to be returned to the State of Michigan following the state's audit of expenditures charged to the maintenance contract. As a result, a liability of \$95,963 has been established.

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 10 – ADVANCES:

As part of its agreement with the Michigan Department of Transportation (MDOT) to maintain state and federal highways (trunklines) within Jackson County and portions of Lenawee County, MDOT provides upfront cash to assist with cash flow for equipment and operating purposes. The amount advanced is reviewed annually, and is to be returned upon termination of the contract. At December 31, 2005, these advances totaled \$663,616. As such, this money is reported as a liability by the Road Commission.

### NOTE 11 – LONG-TERM LIABILITIES:

The long – term liabilities of the Jackson County Road Commission consists of the following at December 31, 2005:

#### Accrued Compensated Absences:

Paid time off is earned in varying amounts, depending on the number of years service. It is earned and credited to the employee on the employee's anniversary date. A maximum of 30 paid days off may be accumulated.

As of December 31, 1987, sick pay is no longer earned. The hours accumulated to that date were banked and disability insurance coverage was provided, covering employees the first day of injury or the eighth day of sickness.

Upon an employee's termination, unused vacation time is paid off at 100%; unused sick pay is paid off at 50%. Both are paid off at 100% if used during the course of employment. The liability for accrued compensated absences at December 31, 2005 is as follows:

	Beginning of Year	Change	End of Year
Accrued Vacation Pay (100%)	\$ 260,816	\$ 16,794	\$ 277,610
Accrued Sick Pay (100%)	10,617	(2,716)	7,901
	<u>\$ 271,433</u>	<u>\$ 14,078</u>	<u>\$ 285,511</u>

### NOTE 12 – FUND EQUITY/NET ASSETS:

#### A. Governmental Fund Financial Statements – Reserves and Designations:

Reserved Fund Balance in the Road Commission's Operating Fund was established to present the portion of fund equity which is not available for expenditure in future periods. The reserve at December 31, 2005 consists of the following:

<u>Reserved For:</u>	<u>Amount</u>
Inventories	\$ 1,623,122
Deposits with Jackson County	780,472
	<u>\$ 2,403,594</u>

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 13 – FEDERAL/STATE GRANTS:

The Michigan Department of Transportation (MDOT) requires that the local Road Commission report federal and state grant revenues/expenditures for all projects within the Road Commission's jurisdiction. During 2005, federal and state aid reported as revenue and expenditures was \$2,065,587 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (as such, they are included in MDOT's single audit rather than the Road Commission's). The Road Commission acts as the contractor in negotiated projects. A summary of the 2005 grant projects is as follows:

Project Number	Description	Federal Revenue	State Revenue	Expenditures Recognized
49676A	Pierce Rd over Raisin River	\$ 9,005	\$ 1,688	\$ 10,693
53410A	Park Drive over Grand River	8,338	1,563	9,901
55998A	Lansing Ave - City to Parnall Rd	5,850	-	5,850
56005A	Lansing Ave - Parnall to Cunningham	464,040	-	464,040
59712A	Van Wert Rd over Kalamazoo River	10,911	2,016	12,927
59713A	Bath Mills Rd over Kalamazoo River	203,688	38,798	242,486
73822A	Gates Rd over Grand River	5,971	-	5,971
78233A	Spring Arbor/McCain traffic signal	9,589	-	9,589
78234A	Territorial/Cooper intersection	138,774	-	138,774
79015A	Lansing Ave - Cunningham to Morrill	271,602	-	271,602
80590A	E. Michigan Ave/Rank Rd intersection	48,595	-	48,595
80592A	M60/Dearing widening	39,930	-	39,930
83233A	E. Michigan Ave - Grass Lake to Rank Rd	644,183	161,046	805,229
		<u>\$ 1,860,476</u>	<u>\$ 205,111</u>	<u>\$ 2,065,587</u>

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 14 – EXPENDITURE/EXPENSE REPORTING:

In accordance with Michigan Department of Transportation guidelines, certain expenditures/expenses are reported net of related revenues. These are noted as 'net' on the basic financial statements, and are summarized as follows:

#### **Administrative:**

Administrative expenditures/expenses (A515 accounts)		\$	814,970
Less:			
Overhead charges - State	\$	(194,223)	
Handling charges		(11,925)	
Purchase discounts		(5,222)	(211,370)
			<hr/>
Administrative expenditure/expense - Net		\$	<u>603,600</u>

#### **Equipment:**

Direct equipment expenditures/expenses	\$	2,547,504
Indirect equipment expenditures/expenses		1,120,701
Operating expenses		<u>593,390</u>
		4,261,595
Less - Equipment rental credits		<u>(3,819,216)</u>
		<hr/>
Equipment expenditure/expense - Net	\$	<u>442,379</u>

#### **Capital outlay:**

Capital outlay expenditure	\$	1,759,091
Less:		
Equipment retirements (Cost less accumulated depreciation)		(64,636)
Depreciation		<u>(1,321,214)</u>
		<hr/>
Capital outlay expenditure - Net	\$	<u>373,241</u>

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15 – EMPLOYEES' RETIREMENT PLAN:

The Jackson County Road Commission participates in the Jackson County Employees' Retirement System, a defined benefit pension plan. This plan was established in accordance with applicable state and local statutes.

#### A. Employee Membership Data:

As of December 31, 2004 (the latest valuation data available) employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	89
Active plan participants:	
Vested	54
Nonvested	53
	<hr/> 196 <hr/>

#### B. Benefit Provisions

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire at age 60 with 8 or more years of credited service. Benefits vest after eight years. Employees retiring at age 60 with eight or more years credited service are entitled to pension payments for the remainder of their lives equal to 2.5% of their final five year average compensation (FAC). The final five year average compensation is computed using the period of five consecutive years producing the highest average and contained within the last ten years preceding retirement. The County financed portion is limited to 75% of final average compensation.

Pension provisions include a deferred allowance whereby an employee may terminate his or her employment with the Road Commission after accumulating eight years of credited service. The pension benefit is payable at age 60 or any age allowed by the retirement by-laws at the time of retirement. The benefit amount is computed in the same manner as the regular benefit described above.

Provisions are also included for duty and non-duty disability or death benefits. Disability benefit payments are computed in the same manner as regular benefits. The minimum benefit for a disability is 15% of final average compensation, with the maximum County-financed portion limited to 50% of FAC and worker's compensation. Non-duty disability benefits are payable only after 10 or more years of credited service. Death benefits are computed in the same manner as the regular benefits; in the case of a duty death, additional service credit will be granted up to the amount needed to be vested prior to computation of the retirement allowance of the spouse.

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15 – EMPLOYEES' RETIREMENT PLAN: (Continued)

#### C. Required Contributions:

Employees of the Road Commission are required to pay 2.5%, plus 50% of the employer contribution above 2.5% (an employee contribution rate of 3.98% for 2005) of their gross earnings to the pension plan. The payments are deducted from the employee's wages and remitted to the pension plan each bi-weekly pay period. If an employee leaves the Road Commission prior to vesting, these contributions plus interest are returned to the employee.

The Road Commission makes bi-weekly contributions to the pension plan in an amount as determined by the plan's actuaries. For the year ended December 31, 2005, the required contribution was computed as 3.97% of covered payroll. The Road Commission pension expense for the year ended December 31, 2005 was \$179,413. The actuarial assumptions used to compute this amount are available in the County of Jackson's Comprehensive Annual Financial Report.

Substantially all of the Road Commission's employees are covered by this plan. The Road Commission's total payroll for the year ended December 31, 2005 was \$4,515,100, with \$4,315,000 covered by the pension plan.

Trend information for the plan as a whole is presented below:

<b>Schedule of Funding Progress</b>						
<b>Valuation Date Dec. 31,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
1995	\$ 68,283	\$ 57,717	\$ (10,566)	118.3%	\$ 23,040	0%
1996	\$ 76,326	\$ 60,129	\$ (16,197)	126.9%	\$ 22,999	0%
1997(a)	\$ 87,010	\$ 64,468	\$ (22,542)	135.0%	\$ 23,802	0%
1998	\$ 100,030	\$ 68,577	\$ (31,453)	145.9%	\$ 24,209	0%
1999(a)	\$ 112,224	\$ 77,492	\$ (34,732)	144.8%	\$ 26,781	0%
2000(a)	\$ 120,724	\$ 84,373	\$ (36,351)	143.1%	\$ 27,224	0%
2001(a)	\$ 124,551	\$ 92,102	\$ (32,449)	135.2%	\$ 29,687	0%
2002 (a)	\$ 120,693	\$ 104,222	\$ (16,471)	115.8%	\$ 29,763	0%
2003 (a)	\$ 118,340	\$ 112,314	\$ (6,026)	105.4%	\$ 29,566	0%
2004	\$ 121,005	\$ 121,440	\$ 435	99.6%	\$ 31,519	0%

Note: \$ amounts in Thousands; information is for the plan as a whole.

(a) After changes in benefit provisions and/or actuarial assumptions and cost methods.

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 15 – EMPLOYEES' RETIREMENT PLAN: (Continued)

<b>Schedule of Employer Contributions</b>					
<u>Fiscal Year</u>	<u>Actuarial Value of Assets</u>	<u>Contribution Rates as a % of Valuation</u>	<u>Computed \$ Contribution Based on Projected Payroll</u>	<u>Annual Required Contribution Based on Actual Payroll</u>	<u>Percentage Contributed</u>
		<u>Payroll*</u>			
1996	12/31/94	2.70%	\$ 614,524	\$ 645,115	100%
1997	12/31/95(a)	3.35%	\$ 830,477	\$ 780,271	100%
1998	12/31/96(a)	1.05%	\$ 262,012	\$ 254,050	100%
1999	12/31/97(a)	0.22%	\$ 55,039	\$ 59,036	100%
2000	12/31/98	0.00%	\$ -	\$ -	100%
2001	12/31/99(a)	0.00%	\$ -	\$ -	100%
2002	12/31/00(a)	0.00%	\$ -	\$ -	100%
2003	12/31/01	0.00%	\$ -	\$ -	100%
2004	12/31/02	6.21%/1.75%	\$ 1,477,934	\$ 1,477,934	100%
2005	12/31/03	6.96/3.97%	\$ 2,247,761	\$ 2,247,761	100%

Note: \$ amounts in Thousands; information is for the plan as a whole.

(a) After changes in benefit provisions and/or actuarial assumptions.

\* Weighted averages.

Some additional information relating to the actuarial assumptions used in the December 31, 2004 valuation follows:

Actuarial Cost Method	Individual Entry Age
Amortization Method	Level percent of Payroll
Remaining amortization for Unfunded actuarial accrued Liability	30 years (open)
Remaining amortization period For credit	10 years (open)
Asset valuation method:	4 year smoothed market
Investment rate of return	8.00%
Projected salary increases	5.0%-8.8%
Includes inflation at	5.0%
Cost-of-living adjustments	none

The details of amounts attributable solely to the Road Commission were not available. Detailed information concerning the Jackson County Employees' Retirement System is presented in the publicly available County of Jackson, Michigan Comprehensive Annual Financial Report. Copies of this report may be obtained from the Jackson County Administrator / Controller's Office, 120 West Michigan Avenue, Jackson, Michigan, 49201.



# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 16 – COMMITMENTS AND CONTINGENCIES:

#### A. Claims and Lawsuits:

In the normal course of its operations, the Jackson County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

#### B. Trunkline Maintenance Audit:

As part of its trunkline maintenance agreement with the State of Michigan, the Road Commission's costs charged to the State are subject to audit. During 2005, the State completed its audit of the 2002 costs. As discussed in Note 9, the audit resulted in the Road Commission accruing a liability of \$95,963. The amount due under its 2003 - 2005 contracts has not been determined.

#### C. Commitments to Townships:

The Jackson County Road Commission is committed to providing the best road system possible to the residents of Jackson County. This commitment includes the Township Road Agreement matching program. The Road Commission offers to match \$50,000 of construction funds to each of the 19 townships within its jurisdiction. The match may be used up to three years in advance. This program has been highly successful, as Townships contracted for \$534,450 of new projects during 2005. The Road Commission intends to offer this match as long as funds are available. Approximately \$3.6 million is available to the townships for 2006-2009 construction projects.

#### D. Concentrations:

The Road Commission receives approximately 90% (\$15.7 million) of its revenue from the state and federal governments. A large portion of these revenues (\$11.1 million) is derived from the collection of taxes on gasoline and diesel fuels. These revenues could be susceptible to an economic downturn.

### NOTE 17 – RISK MANAGEMENT:

During the normal course of its operations the Jackson County Road Commission is exposed to various risks of loss related to liability, employee injury, and other circumstances. In certain instances, the Jackson County Road Commission has opted to protect itself from such risks through means other than the purchase of traditional insurance coverage. These exceptions are as follows:

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 17 – RISK MANAGEMENT: (Continued)

#### A. Liability Insurance:

The Jackson County Road Commission participates in the Michigan County Road Commission Self-Insurance Pool for its liability insurance. The Pool is a municipal self-insurance entity operating within the laws of the State of Michigan.

The Pool has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Pool. In the event that a reinsurer does not meet its obligation to the Pool, the responsibility for payment of any unpaid claims reverts to the Pool, and, indirectly, to the Pool members.

#### B. Health Insurance:

The Road Commission participates jointly with the County of Jackson in the Jackson County Self-Funded Managed Care Health Insurance program. The premiums paid by the participating employers are the program's source of income, and expenses include: 1) the payment of claims; 2) the payment of an administrative fee; and 3) the payment of Stop-Loss insurance premiums (reinsurance). At December 31, 2005 (unaudited), the Road Commission had \$149,738 deposited in excess of claims incurred with this Fund. The County of Jackson, Michigan Comprehensive Annual Financial Report provides further details regarding this insurance program.

#### C. Workers Compensation:

The Jackson County Road Commission participates in the County Road Association Self-Insurance Fund for its workers compensation insurance. The Pool is a municipal self-insurance entity operating within the laws of the State of Michigan.

The Pool has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Pool. In the event that a reinsurer does not meet its obligation to the Pool, the responsibility for payment of any unpaid claims reverts to the Pool, and, indirectly, to the Pool members.

### NOTE 18 – POST-EMPLOYMENT HEALTH BENEFITS:

The Jackson County Road Commission pays for health insurance benefits for its retired employees and their beneficiaries through the Jackson County Self-Funded Managed Care Health Insurance program. These benefits are funded as incurred and totaled approximately \$588,000 for the year ended December 31, 2005. The total number of retirees covered by this plan at December 31, 2005 was approximately 90.

# JACKSON COUNTY ROAD COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 18 – POST-EMPLOYMENT HEALTH BENEFITS: (Continued)

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care expenses over the working life of the employee, rather than when they are paid. This pronouncement is effective for the year ending December 31, 2008.

As discussed in Note 8, the Road Commission has set aside \$630,734 in a trust fund with the County in an effort to start pre-funding this liability. The Road Commission also commissioned a study to provide a “rough estimate” of the potential liability. The results of this study indicate that the liability for current retirees ranges from approximately \$7 - \$9 million; the liability for active employees ranges from approximately \$4 - \$5 million. This indicates a total liability of approximately \$11 - \$14 million dollars.

JACKSON COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION

**JACKSON COUNTY ROAD COMMISSION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON - ROAD FUND**  
**YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue:</b>				
Permits	\$ 40,000	\$ 65,893	\$ 65,892	\$ (1)
Federal grants	2,928,465	1,639,441	1,860,476	221,035
State sources	12,288,766	11,566,849	11,345,820	(221,029)
Local government sources	702,500	1,158,453	1,056,816	(101,637)
Charges for services -				
State trunkline maintenance	1,894,067	2,464,672	2,468,918	4,246
Interest and rentals	40,000	117,927	154,053	36,126
Special assessments	51,000	53,923	53,923	-
Gain on asset disposals	-	100,945	100,945	-
Other revenues	500	4,245	101,636	97,391
Total revenues	<u>17,945,298</u>	<u>17,172,348</u>	<u>17,208,479</u>	<u>36,131</u>
<b>Expenditures/Expenses:</b>				
Primary roads - Construction	-	-	-	-
Local roads - Construction	-	-	-	-
Primary roads - Preservation	4,929,615	3,557,877	3,557,877	-
Local roads - Preservation	820,000	1,605,092	1,605,092	-
Primary roads - Maintenance	3,805,500	3,912,217	3,912,217	-
Local roads - Maintenance	4,015,750	5,156,358	5,156,358	-
State trunkline maintenance	1,894,067	2,479,264	2,479,264	-
Distributive expense	1,381,488	-	-	-
Administrative - Net	1,553,638	603,599	603,599	-
Equipment expense - Net	-	442,379	442,379	-
Capital outlay - Net	(454,760)	373,237	373,241	(4)
Total expenditures	<u>17,945,298</u>	<u>18,130,023</u>	<u>18,130,027</u>	<u>(4)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	-	(957,675)	(921,548)	36,127
<b>Fund Balance - Beginning</b>	<u>4,317,792</u>	<u>5,929,361</u>	<u>5,929,361</u>	-
<b>Fund Balance - Ending</b>	<u>\$ 4,317,792</u>	<u>\$ 4,971,686</u>	<u>\$ 5,007,813</u>	<u>\$ 36,127</u>

**JACKSON COUNTY ROAD COMMISSION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**DECEMBER 31, 2005**

The information presented in the required supplementary schedule was determined as part of the actual valuation at the dates indicated.

Valuation Date Dec. 31,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1995(a)	\$ 68,283	\$ 57,717	\$ (10,566)	118.3%	\$ 23,040	0%
1996(a)	\$ 76,326	\$ 60,129	\$ (16,197)	126.9%	\$ 22,999	0%
1997(a)	\$ 87,010	\$ 64,468	\$ (22,542)	135.0%	\$ 23,802	0%
1998	\$ 100,030	\$ 68,577	\$ (31,453)	145.9%	\$ 24,209	0%
1999(a)	\$ 112,224	\$ 77,492	\$ (34,732)	144.8%	\$ 26,781	0%
2000(a)	\$ 120,724	\$ 84,373	\$ (36,351)	143.1%	\$ 27,224	0%
2001(b)	\$ 124,551	\$ 89,239	\$ (35,312)	139.6%	\$ 29,687	0%
2002 (a)	\$ 120,693	\$ 104,222	\$ (16,471)	115.8%	\$ 29,763	0%
2003 (a)	\$ 118,340	\$ 112,314	\$ (6,026)	105.4%	\$ 29,566	0%
2004	\$ 121,005	\$ 121,440	\$ 435	99.6%	\$ 31,519	0%

Note: \$ amounts in Thousands; information is for the plan as a whole.

(a) After changes in benefit provisions and/or actuarial assumptions and cost methods.

(b) Before changes in benefit provisions and/or actuarial assumptions and cost methods.

See Note 15 for more complete disclosures relating to the Road Commission's participation in the Jackson County Employees' Retirement System.

JACKSON COUNTY ROAD COMMISSION

ADDITIONAL INFORMATION

**JACKSON COUNTY ROAD COMMISSION**  
**ADDITIONAL INFORMATION - ANALYSIS OF CHANGES IN ROAD FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2005**

	Primary Road	Local Road	County Road Commission	Total
<b>Revenue:</b>				
Permits	\$ -	\$ -	\$ 65,892	\$ 65,892
Federal grants	1,860,476	-	-	1,860,476
State sources:				
Michigan Transportation Fund	7,613,208	3,527,501	-	11,140,709
State critical bridge grants	40,814	3,252	-	44,066
TED/STP grants	4,163	-	-	4,163
State Economic Development Fund grants	156,882	-	-	156,882
Revenues from local governments:				
Cities and villages	-	351,648	-	351,648
Township contributions	-	663,689	-	663,689
Other governments	-	41,479	-	41,479
Charges for services:				
State trunkline maintenance	-	-	2,403,106	2,403,106
State trunkline non-maintenance	-	-	61,567	61,567
Salvage sales	-	-	4,245	4,245
Interest and rentals:				
Interest	46,153	-	42,399	88,552
Retiree investment earnings	-	-	36,127	36,127
Rental of property	-	-	29,374	29,374
Special assessments	-	53,923	-	53,923
Gain on asset disposal	-	-	100,945	100,945
Other revenue	27,477	73,588	571	101,636
Total revenue	<u>9,749,173</u>	<u>4,715,080</u>	<u>2,744,226</u>	<u>17,208,479</u>
<b>Expenditures:</b>				
Construction	-	-	-	-
Preservation/Structural Improvements:				
Roads	2,866,958	1,114,353	-	3,981,311
Structures	373,030	42,724	-	415,754
Safety projects	317,889	79,283	-	397,172
Special assessments	-	368,732	-	368,732
Non-motorized projects	-	-	-	-
Total heavy maintenance	<u>\$ 3,557,877</u>	<u>\$ 1,605,092</u>	<u>\$ -</u>	<u>\$ 5,162,969</u>



**JACKSON COUNTY ROAD COMMISSION**  
**ADDITIONAL INFORMATION - ANALYSIS OF CHANGES IN ROAD FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2005**

	Primary Road	Local Road	County Road Commission	Total
<b>Expenditures: (Continued)</b>				
Maintenance:				
Roads	\$ 2,314,485	\$ 3,834,409	\$ -	\$ 6,148,894
Structures	11,239	-	-	11,239
Roadside parks	3,354	-	-	3,354
Winter maintenance	1,236,716	958,083	-	2,194,799
Traffic Control	346,423	363,866	-	710,289
Total maintenance	3,912,217	5,156,358	-	9,068,575
Trunkline maintenance	-	-	2,417,697	2,417,697
Trunkline non-maintenance	-	-	61,567	61,567
Total trunkline	-	-	2,479,264	2,479,264
Administrative expenses:				
Administrative expenses	427,777	387,192	-	814,969
Less:				
Handling charges	(6,260)	(5,665)		(11,925)
Overhead - State	(101,948)	(92,275)		(194,223)
Purchase discounts	(2,742)	(2,480)		(5,222)
Net administrative expenses	316,827	286,772	-	603,599
Equipment expense:				
Direct expenses	774,441	1,113,769	659,294	2,547,504
Indirect expenses	340,693	489,971	290,037	1,120,701
Operating expenses	180,454	259,554	153,382	593,390
Less - Rental credits	(1,161,105)	(1,669,886)	(988,225)	(3,819,216)
Net equipment expenses	134,483	193,408	114,488	442,379
Capital outlay:				
Capital acquisitions	-	-	1,759,091	1,759,091
Less:				
Equipment retirements	-	-	(64,636)	(64,636)
Depreciation	-	-	(1,321,214)	(1,321,214)
Total capital outlay	-	-	373,241	373,241
Total expenditures	\$ 7,921,404	\$ 7,241,630	\$ 2,966,993	\$ 18,130,027

**JACKSON COUNTY ROAD COMMISSION**  
**ADDITIONAL INFORMATION - ANALYSIS OF CHANGES IN ROAD FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2005**

	<u>Primary Road</u>	<u>Local Road</u>	<u>County Road Commission</u>	<u>Total</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	\$ 1,827,769	\$ (2,526,550)	\$ (222,767)	\$ (921,548)
<b>Other Financing Sources (Uses):</b>				
Optional transfers	(2,283,962)	2,283,962	-	-
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	(456,193)	(242,588)	(222,767)	(921,548)
<b>Fund Balance - Beginning</b>	3,090,415	242,588	2,596,358	5,929,361
<b>Fund Balance - Ending</b>	<u>\$ 2,634,222</u>	<u>\$ -</u>	<u>\$ 2,373,591</u>	<u>\$ 5,007,813</u>

# MARKOWSKI & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

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RONALD L. MARKOWSKI, C.P.A.  
DOUGLAS E. ATKINS, C.P.A.

**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF  
SOUTH CENTRAL MICHIGAN

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Road Commissioners  
Of Jackson County  
Jackson, Michigan

We have audited the financial statements of the **JACKSON COUNTY ROAD COMMISSION** (a component unit of Jackson County, Michigan) as of and for the year ended December 31, 2005, and have issued our reported thereon dated May 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

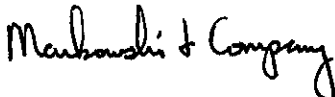
#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jackson County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, caused by error or fraud, in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Jackson County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and the Board of Jackson County Road Commissioners. However, this report is a matter of public record and its distribution is not limited.



**MARKOWSKI & COMPANY, CPAs**  
May 9, 2006

**MARKOWSKI & COMPANY**  
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To the Board of Road Commissioners  
Jackson County Road Commission

**COMMUNICATION OF AUDITOR/CLIENT RESPONSIBILITIES**

We have audited the basic financial statements of the Jackson County Road Commission (the Road Commission) for the year ended December 31, 2005, and have issued our report thereon dated May 9, 2006. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 23, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Road Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Road Commission are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the Road Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate regarding infrastructure costs. We evaluated the key factors and assumptions used to develop these amounts in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Road Commission that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Road Commission's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Road Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

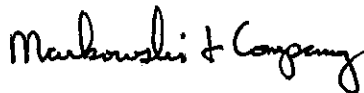
We encountered no significant difficulties in dealing with management in performing our audit. We were very pleased with the cooperation of the administrative staff during our audit.

**Comments and Recommendations**

During the course of performing our audit, we did not note any items which we feel warrant comment. The accounting staff continues to improve the accounting policies and practices in an ongoing basis.

This information is intended solely for the use of the Board of Road Commissioners and management of the Road Commission and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Markowski & Company".

MARKOWSKI & COMPANY, CPAs  
May 9, 2006